

**ANNUAL REPORT BIG 5  
FALSEBAY MUNICIPALITY  
‘2008/09**

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## 1.1 MAYOR'S FOREWORD

The main purpose of an Annual Report is to transparently report to the community of the Big 5 municipal area and various stakeholders about service delivery in the area. We would encourage readers who require more specific detailed information, and the costs of projects, for instance to contact the Municipal Manager or his staff. Videos and service delivery brochures are also available from the same sources and we encourage such interactive participation with residents and interested parties.

Tourism and to an extent agriculture have been identified as mainstays of our economy but we do encourage other investment in both these fields of endeavour as well as in manufacturing and other activities.

Arguably our main concern is with the sustained and reliable supply of water, which is a District Municipality's responsibility. As a Council however our communities are confronted with the grim regularity of water shortages. It is here that the value of aligning our efforts with those of the District Municipality in alleviating problems becomes crystal clear.

Another regular problem is the destruction effected by runaway field-fires which does cause serious concern as well as frequent loss of housing. There is regular awareness programmes directed at residents to make them far more aware of the consequences of carelessness as well as effective forward planning regarding the problem of fires.

When our Integrated Development Plan was launched in previous years the 'wish-list' gleaned from the residents stood at a massive R300 Million in those days. In common with most rural local authorities our tax revenue base is nowhere near sufficient to provide for our great needs and the fact that the national government has found it expedient to cut back severely on its financial commitments to our coffers has further handicapped efforts to bring the residents what they require to live dignified lives.

The implementation of the Local Government Municipal Property Rates Act 06 of 2004 which requires that all real estate be evaluated at market value was implemented with challenges. This legislation requires that farmlands, residential homes, commercial and tribal lands and properties, all be evaluated and taxed. As this has never been done in South Africa in the past, there are tremendous challenges to overcome before we can claim any real successes.

We wish to express our heartfelt thanks to all Council members for their excellent cooperation during the year under review and to especially thank the Council staff members under the leadership of Municipal Manager Mr MA Mngadi for the consistently high standards of work achieved during the year under review however, receiving a qualified audit report was mostly discouraging but we are rather pleased to say that with all the controls in place now qualified audit report will be a thing of the past.

## 1.2 GENERAL OVERVIEW OF THE MUNICIPALITY

The Municipality is governed by the Council consisting of 7 Councilors and is one of five local Municipalities located within the area of the Umkhanyakude District Municipality.

The administrative functions are performed by the Municipal Manager and a team of managers consisting of the Manager Corporate Services, Manager Financial Services, Manager Planning and Development and Manager Community services.

The municipality plans its developmental functions in alignment with the policies and plans of the national and provincial tiers of development activities and its powers and functions derived from the provisions of Section 85 of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) and other relevant legislation. The Municipality is located on the KwaZulu-Natal Elephant Coast.

In the pursuit of effective capacity it has always been our declared policy to ensure that there is a proper emphasis on the recruitment and retention of individuals with expertise and skills, while at the same time implementing in a responsible manner our commitment to our stated equity goals.

It is clear from the financial statements in this Report that all our Integrated Development Plans (IDPs) are unfolding as planned.

Our Ward Committees are in place and are proving successful as are our pioneering policies of including the Amakhosi, of which we have three in this municipality.

The Annual report of the Big 5 False Bay Municipality includes reports on its performance against national indicators. The report allows residents to evaluate their elected officials' delivery on the Integrated Development Plan. Council has embarked on a process which will inform departmental scorecards and individual performance agreements, to ensure a proper link between strategy and individual assessment.

I wish to record my appreciation for the dedication and efficiency of the councilors and staff of the Municipality, without their support and contribution the Council's achievements would be far less impressive. I trust that we will be further inspired to serve our community in an exemplary way.

### 1.2.1 The Leadership Team

The people of The Big 5 False Bay Municipality are fortunate to have a team of highly committed and motivated leaders at the forefront of development within the Municipality.

**Mayor and ward 1 councillor: Cllr CT Khumalo**

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Cllr Khumalo is a polite, brilliant and visionary leader who looks beyond his ward and has a deep seated interest in development for the entire Municipality. He is able to look beyond his own ward and cares for all wards in the Municipality.

**Ward 2 Councillor: Cllr GJ Mthethwa**

Cllr GJ Mthethwa is an important member of a team, who is always on a lookout for community needs and very responsive thereto. A down to earth, respectable gentleman and has the interest of youth at his heart.

**Ward 3 Councillor: Cllr Z Nkwanyana**

Cllr Nkwanyana is an active and enthusiastic member with a good sense of humour who injects a required energy into the team.

**Ward 4 Councillor: Cllr Mdluli**

Cllr Mdluli is a friendly leader who is committed to service delivery and enthusiastic about youth.

**PR Councillor: Cllr MH Mkhize**

Cllr MH Mkhize is a gentleman with a hilarious sense of humour. He however opposes fiercely when ever something he does not believe in occurs.

**PR Councillor: Cllr NC Mncambi**

Cllr MC Mncambi is a loving mother for the council, looks out for anything that might go wrong, a fierce activist for women issues and always hungry for acquiring information.

**PR Councillor : Cllr M Mtshali**

Cllr M Mtshali is a gentleman with a hilarious sense of humour. He however opposes fiercely when ever something he does not believe in occurs.

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### 1.2.2 Framework for the preparation of the Annual Report

REPORT ELEMENT	ACT	Section	Included (Yes/No)
Annual Financial statements of the Municipality	MFMA	121 (3)(a)	
Auditor General's audit report	MFMA	121 (3)(b)	
Annual Performance Report	MFMA	121 (3)(c)	
Audit General's report on Performance	MFMA	121 (3)(d)	
Assessment of arrears on Municipal taxes and service charges	MFMA	121 (3)(e)	
Assessment of performance against set measurable performance objectives	MFMA	121 (3)(f)	
Particulars of any corrective action on issues raised by the Auditor General	MFMA	121 (3)(g)	
Any explanations that may be necessary to clarify issues in connection with the financial statements	MFMA	121 (3)(h)	
Any recommendations of the Municipality's Audit Committee	MFMA	121 (3)(j)	
Use of conditional grants	DORA		
Extent of meeting the conditions of grants	DORA		
The use of donor funding	DORA		
Agreements/contracts under Public Private Partnership	DORA		
Information of long-term contracts	DORA		
Information technology and systems purchased and the effectiveness thereto	DORA		

Whereas the Council is pushed by a logical necessity to report back on the developmental mandate given by the Community, the Municipality is also mandated by legislation to compile an Annual Report.

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Section 121 of the Municipal Finance Management Act, No 56 of 2003 clearly outlines both the process and the requirements to be included in preparation of an Annual Report. Further to this National Treasury issued a Guideline through MFMA Circular No.11, on a format for the Annual Reports. The Municipal Systems Act, No32 of 2000, as amended, also outlines the performance information to be included in an Annual Report.

The following is a tick box to ensure that this report is not only informative but also meets all the legal requirements;

### **1.2.3 Powers and Functions**

As from inception and during the financial year the Big Five Municipality has been functioning as a Category B Municipality within Umkhanyakude District Municipality. The following are the Municipality's allocated functions;

- a) Air pollution and Air quality control
- b) Noise pollution
- c) Environmental Management
- d) Building Regulations
- e) Child Care Facilities
- f) Pontoons, Ferries, Jetties, Piers and Harbours
- g) Storm water management in built up areas
- h) Trading Regulations
- i) Beaches and amusement facilities
- j) Billboards and Display of advertisement in Public Places
- k) Cleaning
- l) Control of public nuisance
- m) Facilities for the accommodation care and burial of animals
- n) Fencing and fences
- o) Licensing of Dogs
- p) Local amenities
- q) Local Sport Facilities
- r) Municipal Parks and Recreation
- s) Pounds
- t) Public Places
- u) Street Trading
- v) Traffic and Parking

The following are functions allocated to the District Municipality;

- a) Portable Water Supply
- b) Sanitation Services

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- c) Electricity Reticulation
- d) Municipal Health Services
- e) Regional Airport

The last batch is the functions that will fall under the envisaged shared services function;

- a) Fire Fighting and Disaster Management
- b) Local Tourism
- c) Municipal Planning
- d) Municipal Public Transport
- e) Cemeteries, Funeral Parlours and Crematoria
- f) Markets
- g) Municipal Abattoirs
- h) Municipal Roads
- i) Refuse Removal, Land Fill sites and Solid Waste Management

As we make this annual report it is important to note that even though we may report on District Municipality's functions like Water, Sanitation and Energy/Electricity, our reporting in those areas will be less comprehensive.

### 1.2.4 NSDF, PGDS and Millennium Development Goals

The Integrated Development Plan indicated on how the National Spatial Development Framework (NSDF), Provincial Growth Development Strategy (PGDS) and the Millennium Development Goals shaped our developmental planning initiatives and strategies.

A more comprehensive service delivery report will follow but the following is a high level indication on how we worked during the financial year to achieve the Millennium Development Goals;

#### **Goal 1: Eradicate extreme poverty and Hunger**

**Our Actions:** We collaborated with the Department of Economic Development in the review and Development of the Municipality's Local Economic Development Strategy through which projects will be identified, prioritised and funded in future years. In 2008/09 some projects had already been funded.

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## **Goal 2: Achieve universal primary education**

**Our Actions:** During the financial year we have intensified our relationship and engagement with Department of Education through our IDP's representatives' forum. We are confident that this target will be achieved.

## **Goal 3: Promote Gender Equality and Empower Women**

**Our Actions:** During the financial year we have intensified our relationship and engagement with Department of Education through our IDP's representatives' forum. We are confident that this target will be achieved.

## **Goal 4: Combat HIV/AIDS, Malaria and other diseases**

### **Our Actions:**

As these were goals set for the entire globe they are broad and cross-cutting, the Municipality has however been able to play a critical role through the IDP to engage on behalf of the community and coordinate different stakeholders towards the achievement of these goals. During the financial year the municipality has supported youth awareness campaigns such as Love Life programmes.

## **1.2.5 Social Partners**

Through the 2008/09 IDP process and subsequent implementation and monitoring initiatives a number of social partners, who were directly or indirectly involved in the continuous public participation process, were identified.

### ***Government Departments***

As we report on our achievements and challenges in the 2008/09 financial year, no progress would have been made without a vibrant and genial engagement with different government Departments, particularly provincial departments.

The concept of Integrated Development Planning which started-off in a bumpy way is beginning to smooth out as years progress. Through Integrated Development Planning we have been able to cement strong relationships with other spheres of government. Without prejudice to any the following are worth mentioning;

- Department of Local Government and Traditional Affairs,
- Department of Agriculture,
- Department of Welfare,
- Department of Environmental Affairs,
- Department of Labour,
- Department of Health

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- Department of Economic Development and
- Department of Water Affairs and Forestry.

The relationships at all levels and contribution made by these Departments in the Municipality is invaluable, as the people of Big 5 False Bay Municipality we are indebted to them.

### ***Economic Partners***

The strife for economic growth in our municipality is central to our developmental approach to local government. The following are some of the structures who played a significant role in the upliftment and growth of our Local Economy during the financial year;

- Hluhluwe District Improvement Association,
- Elephant Coast Tourism Association,
- Pineapple Growers Association,
- Hluhluwe Farmers Association and
- Independent Development Trust

### ***Broader Social Development Network***

For all the progress seen during the year, it would be wrong not to mention the ladies and gentlemen who hold dearly in their hearts the ideals of development for the people for no gains to themselves. These are the people to whom success is not counted by the size of the bank balance but by the number of keen smiles, full stomachs and all the good in the world.

The following are worth mentioning;

- Operation Upgrade
- Community Law and Rural Development Centre and
- KZN Education Development Trust

## 1.3 Executive Summary

The true judgement for the success of the Municipality is based on the performance. I am confident that all our actions and efforts during the year have taken us closer to the achievement of our vision and mission.

### Vision

*To be a competitive municipality, that provides sustainable services to the community and attracts investments.*

### Mission Statements

**As a rural and urban municipality we commit ourselves to improve the quality of life of local communities through service delivery by providing equitable socio-economic development through the provision of infrastructure and municipal services in a democratic manner while maintaining a strong environmental ethos so that by year 2015 all backlogs will be eliminated.**

### Strategies and objectives

The Municipality has designated six Strategic Focus Areas in line with the national Key Performance Indicators. Underneath each Strategic Focus Area, there are different Development Strategies and development objectives. The details are clearly outlined in Chapter 4 including both the annual targets set per development objective and actual performance thereto.

### How far are we from achieving our objectives?

As indicated above the Big 5 False Bay Municipality is plugged with massive infrastructure backlogs, particularly within the rural areas. It is however with both pride and pleasure that the following strides have been made to push back the frontiers of poverty and accelerate service delivery;

- *Since 2007/08 about 3500 RDP houses were built to date in rural areas for the community in conjunction with the Department of Housing,*
- *Phumlani hall was built,*
- *Makhasa Crèche was erected*
- *Corridor development grant was used to fund the rehabilitation of the main road in Hluhluwe*

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- *In line with our strategic objective of facilitating economic growth and development within the municipality, Through our social partner, Department of Agriculture, a Food Security Program was at the inception stage.*

## Conclusion

The Big 5 False Bay municipality during the financial year 2008/2009 has prioritized the institutionalization and alignment of the integrated development plan (IDP), budget and performance management system (PMS). This has been achieved through better coordination and cooperation of municipal departments during the planning and implementing of municipal development programmes.

The emphasis has also been in the establishment of good governance structures and systems in line with national legislation. A number of development programs have managed to reduce backlogs by accelerating service delivery to our communities.

Service delivery has been accelerated in our area of jurisdiction. During the financial year we observed the decline in global economy to the large extent our area was severely affected especially the tourism sector. Last but definitely not least I would like to thank God for the life and time he has given to us all.

Thanking you

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MA Mngadi  
Municipal Manager

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## CHAPTER 2: PERFORMANCE HIGHLIGHTS

### PLANNING AND DEVELOPMENT DIRECTORATE

#### 2.1. Introduction

2008/09 was a year where some significant strides were made in dealing with the service delivery backlogs. At the beginning a more accurate backlog and gap analysis was conducted during the preparation of the IDP. This analysis forms a basis for planning and implementing service delivery initiatives.

Whilst the Municipality is not responsible for both electricity and water in terms of allocated powers and functions, these are basic services and both the IDP and reporting thereto shall take these into consideration. The report with regards to these services is in relation to progress made by the respective service providers.

#### *Progress*

As the electricity service provider, Eskom has undertaken extensive research into the population and corresponding numbers of connection for Big 5 False Bay. The three tables below are compiled from data made available by Eskom.

Table 20 below includes all household connections in the four wards and for the Big 5 False Bay municipal area, both rural and urban parts. It shows the existing Eskom customers, those who are currently unconnected but within 500 meters of a transformer and those households that are unconnected but are further than 500m from a transformer. The unconnected households within 500m of a transformer can be serviced with a relatively small cost and need to be classified separately from households that fall further than 500m.

The backlog for the rural wards are extremely high:

- |          |     |                 |
|----------|-----|-----------------|
| • Ward 1 | 93% | 709 Households  |
| • Ward 2 | 87% | 1455 Households |
| • Ward 4 | 96% | 673 Households  |

However, Eskom have gone to great lengths to classify the households that are within 500m of a transformer. If those more easily serviced households are excluded from the backlog calculation, the backlog for the rural wards 1, 2, and 4 are:

- |          |     |
|----------|-----|
| • Ward 1 | 64% |
| • Ward 2 | 31% |
| • Ward 4 | 68% |

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Despite being considerably lower, these backlog figures represent the dire electricity shortage in the rural areas of Big 5 False Bay, particularly wards 1 and 4.

Table 20: Connected and Unconnected Households, and Electricity Backlogs, per Ward, Source Eskom UAP

	Ward 1	%	Ward 2	%	Ward 3	%	Ward 4	%	Total Big 5	%
Eskom Customers	50	7%	213	13%	1000	121%	26	4%	1289	33%
<500m Transformer	221	29%	941	56%	-190	-23%	200	29%	1172	30%
>500m Transformer	488	64%	514	31%	15	2%	473	68%	1490	38%
<b>Total Households</b>	<b>759</b>	<b>100%</b>	<b>1668</b>	<b>100%</b>	<b>825</b>	<b>100%</b>	<b>699</b>	<b>100%</b>	<b>3951</b>	<b>100%</b>
<hr/>										
% Connected		7%		13%		121%		4%		33%
% Connected & <500m		36%		69%		98%		32%		62%
% Unconnected and >500m		64%		31%		2%		68%		38%
% Unconnected (Backlog)		93%		87%		-21%		96%		67%

The negative 190 (-190) households within 500m of a transformer in Ward 3 basically highlights an oversupply of electricity in that area. The most likely explanation is that Eskom have more connected customers than were originally digitised within 550m of the transformer. In more densely settled areas a situation occurs whereby a single building may have 2, 3 or more connections.

### 2.1.2. Service Delivery Backlog- Water

The municipality is experiencing extremely water supply backlogs per ward

#### *Progress*

Most of the rural households are currently serviced by tankers (tanker stands), with a small portion of households serviced by boreholes. Mhlathuze Water, the district water supplier, is well underway with a major water project.

- Hluhluwe Phase 1 services Hluhluwe Town (project essentially completed)
- Hluhluwe Phase 3 will supply the rural areas (wards 1, 2 and 4) as well as some farms in Ward 3.

The first part of the Hluhluwe Phase 3 rural scheme is the installation of bulk lines to Wards 1, 2 and 4. This phase is approaching completion (80-90% complete). After the bulks are in place, the supply of reticulation to individual households will commence. This was completed by the end of 2008.

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The *status quo* of the water situation in the rural areas is likely to be very similar to the time that the census was undertaken in 2001, as no actual connections have been made since then (although much progress has been made).

### **2.1.3. Service Delivery Backlog- Refuse Removal**

Most of the residents within the Municipality live in rural areas. This leads to refuse removal not being rendered to the majority of the residents.

#### ***Progress***

The Municipality is currently servicing the town with about 1300 households in the system. Another problem has been the fact that the Municipality has been using an unlicensed dump site. During the year a study was conducted to identify a new site and to develop a business plan for the rehabilitation of an existing site.

In the new financial year an amount of R 100,000 will be raised to complete the process.

### **2.1.4. Service Delivery Backlog- Roads and Storm water**

The Big 5 False Bay area is essentially well-serviced by roads. The roads network in Big 5 False Bay services several different land uses and settlements (see Map 5), including the town Hluhluwe, agricultural farms, game reserves and lodges, rural areas and provides a linkage to Sodwana Bay (outside of the municipal area and to the north).

Many of the roads that service the farms, reserves and rural areas are unpaved dirt tracks. While the possible upgrading and maintenance of farm access road largely rests with farmers, the rural wards have less control over the main access roads. The upgrading of the road surface, as well as provision of various types of infrastructure such as bridges and traffic calming devices require further more detailed analysis.

Another significant road network in the municipality is in Hluhluwe town. Recent upgrades to the main street have made significant differences to the traffic flows and access to the retail and other facilities. Further investigation and study needs to evaluate the appropriateness of the one-way portions of the streets and the management of informal trade in the road reserve.

## **2.2. Strides made in the Local Economic Development**

A Local Economic Development analysis was conducted during the financial year. The following key issues transpired;

- *48% of the households earn between R4901 and R19200 a year (between R408 and R1600 per month)*
- *Unemployment is approximately 68% but this is typical of other local municipalities (DBSA – broad definition)*
- *Big 5 False Bay has the smallest labour force in Umkhanyakude*
- *The most significant economic activities, statistically are:*
- *Agriculture, forestry & fishing*
- *General government and personal services*

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- *Transport, storage and communication*
- *Specifically pineapple farming, forestry and tourism*

## 2.3. Revenue Collection

Whereas a total amount of debtors outstanding has reduced by R 600,000 the consumer debtors outstanding have increased by 63% from R 1,66 million to R 2,71 million. This is a very poor showing on revenue collection. This area will have to be critically addressed during the ensuing financial year.

As indicated by the Municipal Manager above serious progress was made on the service delivery scene, serious concerns have been raised by the Auditor General and the financial position of the Municipality.

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## CHAPTER 3: HUMAN RESOURCE AND OTHER ORGANIZATIONAL MANAGEMENT

### BY DIRECTOR CORPORATE SERVICES

The Municipality has established an Organizational structure suitable for the allocated powers and functions and commensurate with the available financial resources. For the entire structure job descriptions have been developed and submitted to the Job evaluation committee.

#### 3.1. Staff structure

For the Municipality to be able to provide services effectively it requires strong and effective warm bodies to do the actual work.

Including the councillors the Municipality during the 2008/09 financial year had a total of 42 staff members. The even though the gender parity (at 25%) senior level still needs some attention the Municipality has been able to achieve the objective set by the Employment Equity Plan of 40% women. The race parity is also a true reflection of the Municipality's demographics:

The staff may be categorised as follows;

EMPLOYMENT CATEGORY	RACE										TOTAL	
	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL			
	M	F	M	F	M	F	M	F	M	F		
Councillors	6	1	0	0	0	0	0	0	6	1	7	
Directors	2	0	0	0	0	0	1	1	3	1	4	
Professionals	2	3	0	0	0	0	0	0	2	3	5	
Technicians and Trade workers	0	0	0	0	0	0	0	0	0	0	0	
Community and Personal services workers	5	1	0	0	0	0	0	0	5	1	6	
Clerical and administrators	3	9	0	0	0	0	0	0	3	9	12	
Machine operators and drivers	0	0	0	0	0	0	0	0	0	0	0	
Labourers	6	2	0	0	0	0	0	0	6	2	8	
TOTALS	24	16	0	0	0	0	1	1	25	17	42	

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### **3.2. Skills and training**

In line with its strategic objectives set out in the Integrated Development Plan the municipality is always committed to the continuous skills development to enhance the Municipality's ability to provide services.

On an annual basis a skills audit is conducted and a Skills Development Plan prepared and submitted. The SDP was submitted in time to the Department of Labour. Over and above the amount budgeted for training; an amount is also set aside for the staff bursary scheme. During 2008/09 training was provided both through direct skills development programs and through the municipal bursary scheme program. Substantial amount was spent on training programs for both councillors and staff.

### **3.4. Arrears owed to the Municipality by staff and councillors**

Upon assessment of the council's accounts, no amount was found to be in arrears by both councillors and staff members.

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## CHAPTER 4: AUDITED ANNUAL FINANCIAL STATEMENTS , AUDIT REPORT AND ACTION PLAN

### BY THE ACTING CHIEF FINANCIAL OFFICER

#### 4.1. Report by the Acting Chief Financial Officer

##### ***GENERAL REVIEW***

For the period under review, the Council budgeted correct this period with expenditure equals to the total income expected to be received.

##### ***OPERATING RESULTS***

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2009 are as follows :

<b><i>INCOME</i></b>	Actual 2007/08 R	Actual 2008/09 R	Variance Actual 07/08 VS Actual 08/09 %	Budget 2008/09 R	Variance Actual/ Budget %
Operating Income for the Year	9 737 125	13 937 059	43.13%	20 280 600	-45.52%
	9 737 125	13 937 059	43.13%	20 280 600	-45.52%
<b><i>EXPENDITURE</i></b>					
Operating Expenditure	14 705 051	20 008 075	36.06%	20 280 600	-1.36%
(Deficit)/ Surplus at year end	(4 967 926)	(6 071 016)	22.20%	-	-1.36%

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	Actual 2007/08	Actual 2008/09	Variance Actual Increase/ Decrease	Budget 2008/09	Variance Actual/ Budget
	R	R	%	R	%
Income	9 737 125	13 937 059	43.13%	20 280 600	45.52
Expenditure	14 705 051	20 008 075	36.06%	20 280 600	1.36
(Deficit) / Surplus	(4 967 926)	(6 071 016)	22.20%	-	-100.00
Surplus (Deficit) as % of Total Income	-51.02%	-43.56%	-14.62%	0.00%	

## **CAPITAL EXPENDITURE AND FINANCING**

The following expenditure was financed from Municipal Infrastructure Grant  
 Phumlani Community Hall  
 Makhasa Creche

## **INVESTMENTS AND CASH**

Investments amounted to R3 737 766 at 30 June 2009.

The favourable bank balances at 30 June 2009 amounted to R111150 .

More information regarding investments is disclosed in notes to the annual financial statements.

## **FUNDS AND RESERVES**

There were unspent grants at 30 June 2008. There were also new grants received during the financial period.

More information regarding funds and reserves is disclosed in appendix A of the annual financial statements.

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## **POST-BALANCE SHEET EVENTS**

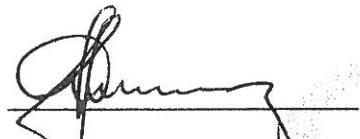
The municipality has started the conversion process to report according to GRAP standards in 2009/2010

## **GENERAL**

As one of the roles of CFO as delegated by an Accounting Officer in terms of Section 81 of the MFMA is to implement supply chain management system, I will reinforce the application of the system for maximum spending of unspent grants for the sake of improving financial management systems and control procedures of this municipality for better reporting at the end of 2008/09 financial year.

## **EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for their support during the past year.



ACTING CHIEF FINANCIAL OFFICER

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## 4.2 Annual Financial Statements

### ACCOUNTING POLICIES

#### BASIS OF PRESENTATION

These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1992) and the Report on the Standardization of the Financial Statement of Local Authorities (4th Edition, as amended).

The Financial Statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in paragraph three below.

The Financial Statements are prepared on the accrual basis as stated :

- Income is accrued when collectable and measurable. Certain direct Income is accrued when received, such as traffic fines and certain licences.
- Expenditure is accrued in the year that it is incurred.

### CONSOLIDATION

The balance sheet includes General Services, and the various funds, reserves and provisions.

### FIXED ASSETS

Fixed Assets is stated :

- at historical cost, or
- at valuation (based on market price at date of acquisition), where assets have been acquired by grants & donations
- while in existence or fit for use.

### Depreciation

Fixed Assets are not depreciated although the amount of "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to the provision for depreciation.

All net proceeds from the sale of vacant fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all other assets are credited to the Capital Development Fund.

Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated life of the assets acquired from such loans or advances. Interest is charged to the service at the ruling

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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interest rate applicable at the time that the advance is made.

Capital equipment acquired by way of finance lease is brought into accounting records as fixed assets which have long been financed by long-term liabilities

Assets are written off the express and prior approval of the Council only.

## FUNDS AND RESERVES

### **Capital Development Fund**

The Natal Ordinance No. 25 of 1974, Section 103(9), requires a minimum contribution of 3 percent of the defined income of a municipality, in this case rounded off to the nearest ten Rand. The fund is used to finance capital expenditure, and the surplus funds are invested.

### **Public Improvement Fund**

The Public Improvement Fund provides funding for future township development. All development costs as defined in section 103 (3) (d) of the Local Government Ordinance, Natal, No 25 of 1974, debited against the fund. All proceeds from the sale of developed land are credited as income to the fund. The Fund is used to finance capital expenditure, and the surplus funds are invested. There is, however, a proviso as to what type of asset may be funded from this fund.

### **Working Capital**

Appropriations are made as and when required from operating expenditure to the working capital account

### **Equitable Share**

The Equitable Share is funds received from the Department of Local Government allocated to assist in the funding of the operating expenditure and to subsidise a portion of the delivery of free basic services.

## **INVESTMENTS**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transaction Act, 1993 (Act No. 209 of 1993).

## **RETIREMENT BENEFITS**

All employees, with the exception of the contract employees, contribute to the Natal Joint Municipal Pension Funds. A full actuarial valuation is conducted by the funds actuaries every three years. These funds are presently in a stable financial position. The last actuarial valuation was on 31 March 2008. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the

## **ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09**

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requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

### **PROVISIONS**

Certain provisions and reserves have been established where required, or considered necessary, and these include -

Bad Debts Provision - provision for bad debts is made when the recovery of debts appears doubtful.  
Leave Pay Provision - provision for leave is the value of all leave due and payable to employees as at 30 June of each year.

### **INCOME RECOGNITION**

Assessment rates are levied on land and buildings and are billed both monthly and annually. Services are billed monthly. Any other income is by direct payment prior to service being rendered.

### **LEASED ASSETS**

Fixed assets held under finance leases are capitalised. Such are effectively amortised over the term of the lease agreement. All other leases are treated as operating leases and the relevant rentals are charged in the operating account in a systematic manner relating to the period of use of the assets concerned.

**ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09**

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**BIG 5 FALSE BAY MUNICIPALITY**

**BALANCE SHEET AS AT 30 JUNE 2009**

	Note	2009 R	2008 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS &amp; RESERVES</b>		<b>11,184,484</b>	<b>11,691,579</b>
Statutory Funds	1	4,112,515	4,112,515
Reserves	2	6,856,969	7,364,064
Trust Funds	3	215,000	215,000
<b>ACCUMULATED DEFICIT</b>	15	(8,434,147)	(2,010,035)
<b>LONG TERM LIABILITIES</b>		0	(2)
		<b><u>2,750,337</u></b>	<b><u>9,681,546</u></b>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>FIXED ASSETS</b>	4	0	3,896,813
<b>LONG TERM DEBTORS</b>	6	23,871	23,871
		<b><u>23,871</u></b>	<b><u>3,920,684</u></b>
<b>NET CURRENT ASSETS</b>		<b>2,726,466</b>	<b>5,760,862</b>
Current Assets		5,623,306	7,357,478
Debtors	7	1,763,631	3,050,072
Bank & Cash	10	121,909	4,484
Short Term Portion of Long Term Debtors	6	0	0
Short Term Investments	5	3,737,766	4,302,922
Current Liabilities		2,896,840	1,596,616
Provisions	8	188,110	163,999
Bank overdraft	10	0	146,596
Creditors	9	2,708,730	1,286,021
		<b><u>2,750,337</u></b>	<b><u>9,681,546</u></b>

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BIG EASY DAY TRIP

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## BIG 5 FALSE BAY MUNICIPALITY

### CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 R	2008 R
<b>CASH RETAINED/(UTILISED) FROM OPERATING ACTIVITIES:</b>		<b>3,552,998</b>	<b>(4,852,131)</b>
Cash (utilised in) / generated by operations	16	(19,834,273)	3,118,422
Interest earned		1,019,749	610,120
Decrease / (Increase) in working capital	17	1,937,498	(3,200,042)
		(16,877,026)	528,500
less: External interest paid		(3,632)	-
<b>Cash (utilised) available from operations</b>		<b>(16,880,658)</b>	<b>528,500</b>
Cash contributions from the Public and State		20,433,656	(5,380,631)
Net proceeds on disposal of fixed assets		-	-
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Investment in Fixed Assets	4	(3,854,132)	(256,449)
<b>NET CASH FLOW</b>		<b>(301,134)</b>	<b>(4,595,682)</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES :</b>			
(Decrease)/ Increase in long term liabilities	18	-	8,359,486
Decrease/(Increase) in investments	20	565,156	(3,759,576)
(Increase)/ Decrease in cash	21	(264,022)	(4,229)
<b>Net cash (generated) / utilised</b>		<b>301,134</b>	<b>4,595,681</b>

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## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009

	2009 R	2008 R
<b>1. Statutory Funds</b>		
Public Improvement Fund	2,690,881	2,690,881
Capital Development Fund	1,421,634	1,421,634
Housing Development Account	<u>4,112,515</u>	<u>4,112,515</u>
<b>2. Reserves</b>		
Working Capital Reserve	0	480,601
Corridor Development Reserve	1,951,639	-
MIG Reserves	1,892,750	-
IDP Grant	0	267,234
Municipal capacity grant	0	301,162
Performance Management Grant	0	209,648
Land Use Management Systems	10,353	39,489
GIS Grant	0	98,151
Finance management grant	360,798	755,141
Develop Admin Capacity	0	100,000
MAP	1,527,066	616,513
Grant grater	192,230	0
Spatial Development Makasa	0	14,667
MSIG	224,555	1,466,154
Mun Val roll/property rates	268,906	251,110
MFMA	0	100,000
Project Consolidate	1,104	4,210
GIS dev.support grant	52,436	200,000
Grants Interest	0	1,253,355
Grants VAT	0	849,597
Grant Water Retic/Sewer Ponds	132	499,93
Proj. cons - Public participation		172,687
PR Con.Org Str & HR Systems	0	136,995
Good Gov. Org Structure & HR Systems	0	46,850
Sports and recreation grant	<u>375,000</u>	
<b>(Refer to appendix A for more details)</b>	<u><b>6,856,969</b></u>	<u><b>-</b></u> <u><b>7,364,064</b></u>
<b>3 Trust Funds</b>		
Estate late: P Mtshali	<u>215,000</u>	<u>215,000</u>

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (continued)

	2009 R	2008 R
<b>4 FIXED ASSETS</b>		
Fixed assets at the beginning of the year	3,896,813	22,283,164
Capital expenditure during the year	3,854,132	256,449
Other additional assets not accounted for during prior years	0	566,000
less : Assets written off, transferred or		
Transfer to Umkhanayakude portion to umkhanayakude loan a/c	0	3,220,312
<b>Total fixed assets</b>	<u>7,750,945</u>	<u>19,885,301</u>
less : Loans redeemed and other capital receipts	7,750,945	15,988,488
<b>Net fixed assets</b>	<u>0</u>	<u>3,896,813</u>
(Refer to appendix C for more details)		
<b>5 SHORT TERM INVESTMENTS</b>		
Call Accounts	3,737,766	4,302,922
	<u>3,737,766</u>	<u>4,302,922</u>
<b>5.1 Standard Bank Investment</b>		
Type of investment : 32 Day Notice		
Account Number: 068434375		
Branch Name: Standard Bank Empangeni		
Branch Code : 7530		
Closing Balance as per cash book	1,962,882	3,197,414
<b>5.2 ABSA Investment</b>		
Type of investment : Call account		
Account Number: 9109586760		
Branch Name: ABSA Corporate Bank - Lalucia		
Branch Code : 632005		
Closing Balance as per cash book	586,762	545,507
<b>5.3 First National Bank</b>		
Type of investment : Call account		
Account Number: 62075347396		
Branch Name: Hluhluwe Branch		
Branch Number : 249		
Closing Balance as per cash book	12,018	186,176
<b>5.4 First National Bank</b>		
Type of investment : Money Market Investment		
Account Number: 62214360068		
Branch Name: Hluhluwe Branch		
Branch Code : 249		
Closing Balance as per cash book	1,176,104	373,824

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (continued)

	2009 R	2008 R
<b>6 LONG TERM DEBTORS</b>		
Staff Car loans at the beginning of the year	23,871	23,871
Add: Interest capitalised for the year	0	0
Adjustment - prior period	0	0
	<u>23,871</u>	<u>23,871</u>
Add: New loans	0	0
Less Paid during the year	0	0
	<u>23,871</u>	<u>23,871</u>
Less: Short term portion of the long-term debtors transferred to current assets	0	0
	<u>23,871</u>	<u>23,871</u>
<b>7 DEBTORS</b>		
Debtors	2,474,131	2,712,640
Sundry Debtors	13,170	13,172
Vat input	630,455	1,023,396
Cashiers Float/ underbanking/ overbanking	0	99
	<u>3,117,756</u>	<u>3,749,307</u>
Add debtors prepayments	121,573	107,542
Less: Provisions for doubtful debts	1,475,698	806,777
	<u>1,763,631</u>	<u>3,050,072</u>
<b>8 PROVISIONS</b>		
Leave Gratuity	188,110	163,999
Bad Debts	1,475,698	806,777
	<u>1,663,808</u>	<u>970,776</u>
Less: Provisions for doubtful debts transferred to debtors	1,475,698	806,777
	<u>188,110</u>	<u>163,999</u>
The leave provision is based on number of accrued leave at 30 June 2008		
<b>9 CREDITORS</b>		
Other trade Creditors	2,298,011	1,178,481
Accrued expenses	69,093	0
Sundry creditors	198,471	0
Unallocated deposits	21,582	0
Add: Debtors Prepayments	121,573	107,540
	<u>2,708,730</u>	<u>1,286,021</u>
<b>10 Bank and Cash</b>		
Main bank account	111,150	(146,596)
cash on hand	10,759	4,484
	<u>121,909</u>	<u>(142,112)</u>
<b>11 Assessment rates</b>		
Residential	1,171,287	673,227
Commercial	908,201	847,957
Government	291,670	169,778
Municipal	478,056	0
Other	20,304	2,207
	<u>2,869,518</u>	<u>1,693,169</u>
Land	7,332,700	7,153,600
Buildings	43,331,600	40,102,300

Valuation on land and buildings are performed every 3 years and the last general valuation came into effect in 1 July 2007. The rate was 27.92c per rand on land and 17.71c rand on buildings. Rebates granted were 20% on Government and 40% on domestic properties. Non-profit organizations e.g. churches are exempt from rates.

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (Continued)

	2009 R	2008 R
<b>12 COUNCILLOR'S REMUNERATION</b>		
Mayors and councillors allowances	902,158	694,883
Pension Fund contributions	112,037	21,231
Other	302,062	283,150
	<u>1,316,257</u>	<u>999,264</u>
<b>13 Auditors' Remuneration</b>		
Audit fees	313,547	78,951
Balance Prior year		
Prior year	313,547	78,951
<b>14 FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
Interest earned	1,019,749	637,075
Interest paid	3,632	0
<b>15 APPROPRIATIONS</b>		
Appropriation account		
Accumulated surplus at the beginning of the year	(2,010,035)	(3,127,866)
Operating surplus / (deficit) for the year	(6,127,928)	(4,967,926)
Appropriations for the year:	(296,184)	6,085,757
Prior year adjustment	(817,222)	6,085,757
Write offs	521,038	0
Accumulated surplus(deficit) at the end of the year	<u>(8,434,147)</u>	<u>(2,010,035)</u>
Operating account		
Capital Expenditure	34,521	256,449
Contributions to:	1,725,450	2,162,776
Capital development fund	-	0
Reserves	-	1,409,439
Doubtful debts	1,475,698	561,436
Leave pay	147,022	191,901
Bonuses	22,278	0
13th cheque	80,452	0
Total appropriations	<u>1,759,971</u>	<u>2,419,225</u>

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (Continued)

	2009 R	2008 R
<b>16 CASH (UTILISED) GENERATED BY OPERATIONS</b>		
Deficit for the year	(6,127,928)	(4,967,926)
Adjustments in respect of:		
Previous year's operating transactions	(296,184)	6,149,885
Appropriations charged against income:		
Capital Development Fund	1,759,971	3,028,981
Working Capital Reserve	-	-
Reserves	-	-
Provisions	1,725,450	1,409,439
Capital Outlay	34,521	797,093
	<b>3,632</b>	<b>-</b>
Capital Charges	3,632	-
Interest paid:		
Other	3,632	-
On external loans	-	-
Redemption		
On internal loans	-	4,095,005
On external loans	-	(4,095,005)
Investment income charged to operating account	(1,019,749)	-
Non - operating income	(9,905,656)	-
Grants	(9,905,656)	-
Credited to Fund, Provisions and Reserves	-	-
Non-operating expenditure:		
Debited to Funds	(4,248,359)	(1,092,518)
Debited to provisions and Reserves	(4,248,359)	(903,409)
	<b>(19,834,273)</b>	<b>3,118,422</b>
<b>Amount to Cashflow Statement</b>		
<b>17 DECREASE / (INCREASE) IN WORKING CAPITAL</b>		
Decrease / (Increase) in debtors	617,525	(708,089)
(Increase) / decrease in long-term debtors	-	(23,871)
Increase / (decrease) in Creditors	1,319,973	(2,382,104)
Increase / (decrease) in Overdrafts	-	(85,978)
	<b>1,937,498</b>	<b>(3,200,042)</b>
The housing funds movement is included in the increase / (decrease) of creditors.		
Housing monies received during the year amount to R 24 733 219 and housing expenditure during the year amounts to R 24 185 006.		
<b>18 (DECREASE) / INCREASE IN LONG TERM LIABILITIES (EXTERNAL)</b>		
Loans Raised(Long term portion & short term portion)	-	8,359,488
Loans Repaid	-	(2)
<b>Amount to Cashflow Statement</b>	<b>8,359,486</b>	<b>8,359,486</b>
Cash contributions from the public and the state	-	5,380,631
Increase in reserves	-	5,380,631
Contributions to working capital	-	5,380,631
<b>19 (DECREASE) INCREASE IN SHORT TERM BORROWINGS COMPRIZE</b>		
Loan raised	-	-
Loans repaid	-	-
<b>Amount to Cashflow Statement</b>	<b>-</b>	<b>-</b>

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (Continued)

	2009 R	2008 R
<b>20 DECREASE / (INCREASE) IN CASH INVESTMENT COMPRIZE:</b>		
Investment Realized	565,156	8,062,498
Investment made	-	4,302,922
	<b><u>565,156</u></b>	<b><u>3,759,576</u></b>
<b>21 (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Balance at beginning of year	(142,113)	255
Balance at the end of the year	(121,909)	(4,484)
	<b><u>(264,022)</u></b>	<b><u>(4,229)</u></b>
<b>22 CONTINGENT LIABILITIES</b>		
There are no contingent liabilities as at 30 June 2009	-	-
	<b><u>-</u></b>	<b><u>-</u></b>
<b>23 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure	15,863,000	-
- Approved and contracted for	90,000	-
- Approved but not yet contracted for	<b><u>15,953,000</u></b>	<b><u>-</u></b>
This expenditure will be financed from:		
- Internal sources	-	-
- External sources	-	-
- Grant expenditure	15,953,000	-
	<b><u>15,953,000</u></b>	<b><u>-</u></b>
<b>24 RETIREMENT BENEFITS</b>		
The personnel are members of the Natal Joint Municipal Pension Fund. The last actuarial valuation was on 31 March 2008. An interim valuation is carried out at the end of each year, it will be performed on 30 September 2009		

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (Continued)

	2009 R	2008 R
<b>25 MANAGERS SALARIES &amp; ALLOWANCES</b>		
Municipal manager	<b>593,719</b>	494,069
Gross	475,446	423,069
Travel Allowances	60,000	60,000
Cell Allowance	12,000	11,000
Leave	40,818	-
Back Pay	4,395	-
Refund	1,060	-
Acting Chief Financial Officer	<b>494,416</b>	
Gross	139,483	-
Rental Allowances	6,000	-
Cell Allowance	2,400	-
Leave	4,227	-
Acting Allowance	330,362	-
Bonus	11,624	-
Cell Back	321	-
Corporate Manager	<b>531,483</b>	460,704
Gross	357,662	310,704
Travel Allowances	144,000	144,000
Cell Allowance	6,000	6,000
Leave	17,992	-
Acting allowance	1,707	-
Back Pay	4,122	-
IDP manager	<b>510,607</b>	457,508
Gross	440,237	391,268
Travel Allowances	60,000	60,240
Cell Allowance	6,000	6,000
Back Pay	4,122	-
Refund	248	-
Chief Financial Officer	<b>191,653</b>	463,837
Gross	122,811	337,837
Travel Allowances	40,000	120,000
Cell Allowance	2,000	6,000
Back Pay	4,122	-
Leave pay	22,720	-

This remuneration relates to Mr N.M Nel's remuneration who was a CFO for the period of four months during 2009 financial year.

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (continued)

	2009 R	2008 R
<b>26 BANK , CASH AND OVERDRAFT BALANCES</b>		
The Municipality has the following bank account:		
<b>26.1 Current account (Primary bank account)</b>		
First National Bank - Hluhluwe Branch		
Account number - 6202 2340 385		
Cash book balance at beginning of year ( overdrawn )	(146,597)	(60,620)
Cash book balance at end of year ( overdrawn )	111,150	(146,597)
<b>27 Prior Year Adjustments</b>		
Long term liabilities written off	0	(3,618,530)
Provisions written off	0	(476,475)
Writing of Umsekeli Debtor	0	(1,615,318)
Writing of Subsidies received in advance	0	(1,160,283)
Correction of 2003/4 & 2006/7 balances	0	18,420
Correction of 2003/4 & 2006/7 balances	0	12,479
Ziningi Properties written off	0	1,728
Reversing of Vat provisions	0	752,223
Adjustments to creditors opening balances as a result of payments not made through the creditors module	(294,672)	
Write off grant reserves - opening balances spent in prior periods	(3,351,217)	
Correction to loans redeemed and other capital receipts opening balances	3,896,813	
Vat adjustment to correct prior year overstatement	<u>566,297</u>	
	<u>817,222</u>	<u>(6,085,757)</u>

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (Continued)

2009	2008
R	R

#### **28 Municipal Entities under sole control of municipality**

There are no municipal entities under the sole control of the municipality.

#### **29 Summary of investments in municipal entities**

There are no municipal entities therefore there were no investments held for municipal entities.

#### **30 Party Related Transactions**

There are no known related parties

#### **31 Additional Disclosures in terms of the MFMA**

##### **31.1 PAYE and UIF**

Opening Balance	-
Current year payroll deductions	846,099
Amount paid - current year	(846,099)
Amount paid - previous years	_____
<b>Balance unpaid</b>	<b>_____</b>

##### **31.2 Vat**

Vat input is disclosed in note 7.

##### **31.4 Pension and Medical Aid Deductions**

Opening Balance	-
Current year payroll deductions and council contributions	183,622
Amount paid - current year	(183,622)
Amount paid - previous years	_____
<b>Balance unpaid</b>	<b>_____</b>

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## BIG 5 FALSE BAY MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2009 (Continued)

	2009	2008
	R	R

#### 32 Unauthorised expenditure

Salaries, wages and allowances	993,769
General expenses	3,645,927
Contributions	1,725,450
Other expenditure	<u>996,160</u>
	<u>7,361,306</u>

The municipality has incurred the unauthorised expenditure of R 7 361 306 which is not in accordance with Section 15 of the MFMA. This overspending was as a result of actual expenditure being greater than budgeted expenditure for the year under review, however the total budget was not overspent. This unauthorised expenditure relates to expenditure that was fundamental for the functioning of the municipality. Economic decline in the globe attributed to the imbalance of budget to actual operating expenditure.

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## APPENDIX A

### BIG 5 FALSE BAY MUNICIPALITY

#### STATUTORY FUNDS, RESERVES AND PROVISIONS FOR THE YEAR ENDED 30 JUNE 2009

	Balance at 7/1/2008	Contributions during the year	Interest on Investment	Trfrs from other grants	Expenditure during the year	Prior year Adjustment vat/interest	Balance at 6/30/2009
	R	R	R	R	R	R	R
<b>ACCUMULATED FUNDS</b>							
Public Improvement Fund	2,690,881	0	0	0	0	0	2,690,881
Capital Development Fund	1,421,634	0	0	0	0	0	1,421,634
	<b>4,112,515</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,112,515</b>
<b>RESERVES</b>							
Working Capital Reserve	480,601	0	0	0	0	(480,601)	0
Corridor development reserves	0	3,750,000	0	0	(1,798,360)	0	1,951,640
MIG Reserve	0	3,914,000	0	0	(2,021,250)	0	1,892,750
IDP grant	267,234	0	70,083	0	(276,605)	(60,693)	0
Municipal capacity Bldg Grant	301,162	0	78,959	0	(375,257)	(4,864)	0
Performance Management grant	209,648	0	54,966	0	(48,441)	(218,173)	0
Land use management grant	39,489	0	10,353	0	0	(39,489)	10,353
GIS Grant	98,151	0	25,733	0	(121,580)	(2,304)	0
Finance Management Grant	755,141	500,000	197,983	0	(736,387)	(355,939)	360,798
Dev Admin Cap	100,000	0	26,218	0	(118,174)	(8,044)	0
MAP	618,513	950,000	161,837	0	(201,055)	0	1,527,066
Spatial dev makassa	14,667	0	3,845	0	0	(18,512)	0
MSIG	1,466,153	1,039,000	384,396	0	(1,754,414)	(910,580)	224,555
Mun val roll/property rates	251,110	0	65,836	0	0	(48,041)	288,906
MFMA	100,000	0	26,218	0	(23,899)	(102,219)	0
Project Consolidate	4,210	0	1,104	0	0	(4,210)	1,104
GIS DEV/SUPPORT	200,000	0	52,436	0	0	(200,000)	52,436
Interest on Investments other	1,253,355	0	(1,253,355)	0	0	0	0
Vet on Grants reserve	849,597	0	0	0	0	(849,597)	0
Grant Proj consolidate - sewer punc	500	0	131	0	0	(500)	132
Grant Grader	172,887	0	45,275	0	(25,732)	0	192,230
PR Cons.Org Str/HR systems	183,845	0	48,200	0	(182,596)	(49,450)	0
Sports and recreation grant	0	375,000	0	0	0	0	375,000
	<b>7,364,063</b>	<b>10,528,000</b>	<b>0</b>	<b>0</b>	<b>(7,683,878)</b>	<b>(3,351,216)</b>	<b>6,856,969</b>
<b>TRUST FUNDS</b>							
Estate Late: P Mtshali	215,000	0	0	0	0	0	215,000
	<b>215,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>215,000</b>
<b>PROVISIONS</b>							
Leave	163,999	147,022	0	0	(122,911)	0	188,110
	<b>163,999</b>	<b>147,022</b>	<b>0</b>	<b>0</b>	<b>(122,911)</b>	<b>0</b>	<b>188,110</b>
<b>TOTAL</b>	<b>11,855,577</b>	<b>10,675,022</b>	<b>0</b>	<b>0</b>	<b>(7,806,789)</b>	<b>(3,351,216)</b>	<b>11,372,594</b>

# **ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09**

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## **APPENDIX B**

### **BIG 5 FALSE BAY MUNICIPALITY**

#### **EXTERNAL LOANS AND INTERNAL ADVANCES FOR THE YEAR ENDED 30 JUNE 2009**

The municipality does not have any external loans or internal advances for the period 1 July 2008 to 30 June 2009

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## APPENDIX C

### BIG 5 FALSE BAY MUNICIPALITY

#### ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2009

Expenditure 2007/2008	Service	Budgeted Expenditure 2008/2009	Balance at 7/1/2008	Expenditure 2008/2009	Written off, transferred, redeemed or disposed of during the year	Balance at 6/30/2009
		R	R	R	R	R
822,449	RATES AND GENERAL SERVICES	7,363,800	18,653,485	3,854,132	0	22,507,597
822,449	Community services	6,163,800	8,986,956	3,854,132	0	12,841,088
566,000	Council	478,280	894,832	0	0	894,832
256,449	Management	800,000	1,061,633	34,521	0	1,036,154
	Finance	0	465,972	0	0	465,972
	Corporate	0	248,310	0	0	248,310
	Technical	4,885,520	6,376,209	3,819,611	0	10,195,820
		0	0	0	0	0
0	Subsidised Services	1,000,000	9,666,509	0	0	9,666,509
0	Health	200,000	0	0	0	0
0	Library	0	306,054	0	0	306,054
0	Cemetery	450,000	9,360,455	0	0	9,360,455
0	Parks & Recreation	0	0	0	0	0
0	Other	350,000	0	0	0	0
	Economic Services	200,000	0	0	0	0
	Refuse Removal					
0	PUBLIC IMPROVEMENT FUND		1,231,836	0	0	1,231,836
822,449	TOTAL FIXED ASSETS	7,363,800	19,885,301	3,854,132	0	23,739,433
0	less: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	15,988,488	7,750,945	0	23,739,433	
0	Loans redeemed and advances paid	N1	495,859	3,741,765		4,237,624
0	Contributions from operating income	N1	1,034,288	189,569	0	1,223,837
0	Grants and Subsidies		9,692,885	3,819,811	0	13,512,498
0	Disposal of assets		3,700	0	0	3,700
0	Asset revaluation		4,761,776	0	0	4,761,776
822,449	NET FIXED ASSETS		3,896,813	(3,896,813)	0	0

N1: Refer to note 27 for further detail

**ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09**

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**APPENDIX D**

**BIG 5 FALSE BAY MUNICIPALITY**

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2009**

<b>Actual 2008 R</b>	<b>Actual 2009 R</b>	<b>Budget 2009 R</b>
<b>9,740,880    INCOME</b>	<b>13,937,058</b>	<b>20,280,600</b>
2,643,054    Rates Income	1,839,781	1,660,000
6,054,792    Grants & Subsidies	9,905,656	12,520,000
0    Water Sales	0	0
699,531    Other Income	1,733,445	5,744,600
0    Conservancy		0
343,503    Refuse	458,176	356,000
<b>14,708,806    EXPENDITURE</b>	<b>20,064,986</b>	<b>20,280,600</b>
5,510,939    Salaries wages & allowances	6,723,969	5,730,200
7,323,303    General expenses	10,228,727	6,582,800
189,781    Repairs & maintenance	356,159	390,000
0    Provisions for working capital	0	213,800
102,800    Contribution to fixed assets	34,521	7,363,800
1,581,983    Contributions	1,725,450	0
0    Other expenditure	996,160	0
<b>(4,967,926)    Surplus/(Deficit)</b>	<b>(6,127,928)</b>	<b>-</b>

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

**APPENDIX E**  
**BIG 5 FALSE BAY MUNICIPALITY**

**DETAILED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	2008 Actual Income	2008 Actual Expenditure	2008 Actual Surplus/ (Deficit)	(4,957,926)	RATE AND GENERAL SERVICES	2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)	2009 Budget Surplus/ (Deficit)
						13,937,058	20,064,986	(6,127,928)	(5,444,379)
9,392,881	13,822,238	(4,429,358)	Council		Community Services	13,476,284	18,920,633	363,200	(2,818,936)
6,054,792	1,904,604	(1,629,290)	Management			9,905,656	2,818,936	(1,888,000)	(303,135)
495,477	6,290,290	(235,498)	Finance			1,730,817	10,208,791	12,665,200	(2,506,600)
0	1,576,547	(1,080,069)	Corporate Services				2,110,748	(379,931)	(1,246,700)
0	1,578,122	(1,578,122)	Technical			-1,696,145	(1,696,145)	(7,560,300)	(1,438,947)
0	897,720	(897,720)	IDP			1,438,947	(760,400)	(647,086)	(847,086)
200,000	580,328	(380,328)	Assessment Rates			647,086	1,839,781	1,660,000	1,839,781
2,641,611	994,628	-							
4,496	300,426	(295,930)	Subsidised Services			2,628	175,730	(173,102)	(206,700)
4,398	5,044	(646)	Cemetery				(700)	3,328	(2,000)
98	149,173	(149,075)	Library				176,430	(176,430)	(164,700)
	146,210	(146,210)	Parks & Gardens				0	0	(40,000)
343,503	586,141	(242,638)	Economic Services			458,176	968,622	(510,446)	(156,500)
343,503	586,141	(242,638)	Refuse Removal				68,493	389,683	(156,500)
0	0	-	Conservancy / LED				900,129	(900,129)	0
0	0	-							
0	0	-	HOUSING SERVICES					0	0
0	0	-	Economic Housing					0	0
0	0	-	Sub-Economic Housing					0	0
0	0	-	TRADING SERVICES					0	0
0	0	-	Electricity					0	0
9,740,880	14,708,806	(4,967,926)	TOTAL			13,937,058	20,064,986	(6,127,928)	0
		(4,967,926)	Net Surplus / (Deficit) for the year					(6,127,928)	
		(3,127,866)	Accumulated Surplus / (Deficit) at the beginning of the year					(2,010,035)	
		6,085,757	Adjustments (Refer to note 15)					(296,184)	
		(2,010,035)	ACCUMULATED SURPLUS						
			END OF THE YEAR						(8,434,147)

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## Appendix F BIG 5 FALSE BAY MUNICIPALITY

### Statistical Information

	2009	2008
<b>General Statistics</b>		
<b>Tariffs</b>		
Rates: Land (Cents per square meter)	27.92	22.49
	1.77	1.43
Rebates: Domestic (on total value)	40%	40%
Rebates: Government(on total Value)	20%	20%
<b>Refuse Tariffs</b>		
Land Value (cents per square meter)	6.292	5.07
Flat Rate	9.82	7.91
Plus 14% Vat		
<b>Sewerage Tariffs</b>		
Consumption (cents per kilolitre water)	Nil	Nil
Flat rate (R's)	Nil	Nil
<b>Water Tariffs</b>		
Lost Tokens	Nil	Nil
Meter Rental p/m (R's)	Nil	Nil
Disconnection Fee	Nil	Nil
Reconnections	Nil	Nil
Prepaid Meters new	Nil	Nil
Fines Tampering	Nil	Nil
Deposit	Nil	Nil
Installation new meters	Nil	Nil
Commercial	Nil	Nil
0-6000kl	Nil	Nil
6001 - 30000kl	Nil	Nil
30001 - 50000kl	Nil	Nil
50001 - over	Nil	Nil
Plus 14% vat	Nil	Nil
<b>Residential</b>		
0-6000kl	Nil	Nil
6001 - 50000kl	Nil	Nil
30001 - 50000kl	Nil	Nil
50001 - over	Nil	Nil
Plus 14% vat	Nil	Nil
<b>Library</b>		
Fines per day	2.00	0.50
<b>Cemetery</b>		
Purchase of site	700.00	700.00
<b>Miscellaneous</b>		
Rates Clearance certificates	50.00	35.00
Photo copies	1.00	1.00
Copies of documents	1.00	1.00
Activity rooms-morning sessions	200.00	100.00
Activity rooms-afternoon sessions	200.00	100.00
Activity rooms-evening sessions	200.00	200.00
Activity rooms-day/night sessions	200.00	500.00
Deposit	300.00	300.00
Office Rental	1 800.00	1 800.00
Parkhome rental	Nil	Nil

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF BIG FIVE FALSE BAY MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying financial statements of the Big Five False Bay Municipality which comprise the balance sheet as at 30 June 2009, the income statement and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages [x] to [xx].

#### The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## Basis for qualified opinion

### Property, plant and equipment

7. The opening balance of property, plant and equipment includes an amount of R3 896 813 that should have been written off in the prior year as follows:

• Loans redeemed and other capital receipts	R3 741 765
• Prior year contribution from operating income	R 155 048

The above was corrected in the current year, resulting in the fixed asset opening balance being overstated and the accumulated deficit opening balance being understated.

The fixed asset register was last updated in the 2005-06 financial year. I reconciled the fixed asset register and the asset additions in the general ledger from 2005-06 to 2008-09. An unexplained net difference of R241 543 was calculated, being the difference between the asset register and the general ledger at 30 June 2009.

When comparing the balances of the ledger entries of assets totalling R23 739 433 to the asset register, assets totalling R3 388 419 as set out below could not be verified or traced to the asset register. The municipality's records did not permit the application of adequate alternative audit procedures regarding these assets. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation, completeness and ownership of the following classes of assets:

• Furniture, office equipment, other machinery and equipment	R1 396 822
• Motorways	R 709 731
• Tractors	R 174 375
• Land and buildings	<u>R1 107 491</u>
• TOTAL	<u>R3 388 419</u>

### Creditors

8. A difference of R316 193 was identified between the creditors age analysis and the control account in the general ledger, whereby the general ledger balance of R1 163 670 exceeded the creditors age analysis balance of R847 427. This difference could not be explained by management or supported by documentation. Furthermore, creditors to the value of R299 247 could not be verified against documentation received. I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of creditors totalling R615 440.

### Qualified opinion

9. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of the Big Five False Bay Municipality have been prepared, in all material respects, in accordance with the basis

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

## **Emphasis of matters**

I draw attention to the following matters:

### **Basis of accounting**

10. The municipality's policy is to prepare financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1.

### **Going concern**

11. While the municipality has prepared financial statements on a going concern basis, there are indicators that its financial sustainability is under threat. The municipality has incurred a loss of R6 127 928 in the current year and the accumulated deficit was R8 434 147.

Furthermore, it was noted that concomitant assets (investments, cash and bank) were insufficient to support the existence of funds and reserves with a shortfall of R4 633 929.

Salaries of R6 723 969 (councillors included) and general operating expenses of R10 228 727 represented 122% of income totalling R13 937 058 (excluding capital grants). The extent to which effective service delivery can be achieved is questionable.

### **Unauthorised expenditure**

12. Unauthorised expenditure of R7 361 306 was incurred as a result of the overspending of the amount appropriated for certain components of expenditure votes in the budget for the year under review. The unauthorised expenditure was disclosed in note 32 to the financial statements.

### **Other matters**

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

### **Material inconsistencies in other information included in the annual report**

13. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

### **Unaudited supplementary schedules**

14. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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## Non-compliance with applicable legislation

### Municipal Finance Management Act

15. Section 65(2)(e) of the MFMA states that all money owing by the municipality should be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. While testing payments it was noted that some creditors were paid after 30 days.

## Governance framework

16. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

## Internal control deficiencies

17. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control (the number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
7	Property, plant and equipment	6	2	5		3
8	Creditors	6	2	5		3

18. Due to deficiencies in internal controls with regard to fixed assets, I was unable to verify furniture, office equipment, other machinery and equipment. The fixed asset register was not updated. Furthermore, I was unable to physically verify assets to confirm the completeness, existence, valuation and ownership of assets. Control activities were not selected and developed to mitigate risks to fixed asset reporting. Internal control deficiencies with regard to creditors are not identified and communicated in a timely manner to allow for corrective action to be taken.

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

<b>Legend</b>	
<b>CE = Control environment</b>	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
<b>RA = Risk assessment</b>	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
<b>CA = Control activities</b>	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting	4

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

objectives.	
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
<b>IC = Information and communication</b>	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
<b>M = Monitoring</b>	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

### Key governance responsibilities

19. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		<input checked="" type="checkbox"/>
<b>Quality of financial statements and related management information</b>			

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

2.	The financial statements were not subject to any material amendments resulting from the audit.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## **Timeliness of financial statements and management information**

4.	The annual financial statements were submitted for auditing as per the legislated deadline in section 126 of the MFMA.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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## **Availability of key officials during audit**

5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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## **Development and compliance with risk management, effective internal control and governance practices**

6.	Audit committee	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<ul style="list-style-type: none"> <li>• The municipality had an audit committee in operation throughout the financial year.</li> <li>• The audit committee operates in accordance with approved, written terms of reference.</li> <li>• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7.	Internal audit	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<ul style="list-style-type: none"> <li>• The municipality had an internal audit function in operation throughout the financial year.</li> <li>• The internal audit function operates in terms of an approved internal audit plan.</li> <li>• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input type="checkbox"/>	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	
14.	SCOPA/Oversight resolutions have been substantially implemented.	<input type="checkbox"/>	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	<input type="checkbox"/>	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	<input type="checkbox"/>	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	<input type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	

20. A clear trail of supporting documentation was not always available in respect of suspense accounts identified. There was a delay in receiving information requested from the municipality. My high-level review of the financial statements submitted for auditing identified errors. This, together with findings from our audit required the financial statements to be adjusted. The key officials were available during the audit and provided support and information although not timely. We urge management to employ the good practices in the table above in order to facilitate a smoother audit process.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on performance information

21. I have reviewed the performance information as set out on pages [xx] to [xx].

### The accounting officer's responsibility for the performance information

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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22. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

## **The Auditor-General's responsibility**

23. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
24. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
25. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

## **Findings on performance information**

### **Non-compliance with regulatory requirements**

#### **No or inadequate quarterly reporting on performance information**

26. No quarterly reports on the progress in achieving measurable objectives and targets of the municipality were provided for audit purposes in terms of section 34(b) of the MSA.

### **Content of integrated development plan**

27. The integrated development plan (IDP) of the Big Five False Bay Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

### **No mid-year budget and performance assessments**

28. Sufficient appropriate audit evidence was not provided for audit purposes to determine whether the accounting officer of the municipality assessed the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

### **Usefulness and reliability of reported performance information**

29. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its IDP:
- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

### **Inconsistently reported performance information**

30. The Big Five False Bay Municipality performance objectives in the IDP are not consistent with those in the annual performance report.

### **Reported performance information not reliable**

### **Lack of source documentation**

31. Sufficient appropriate audit evidence relating to the reported performance information of the municipality could not be obtained with regard to compliance with the MSA, sections 21(a), 34, 39(a), 40, 41(1)(d), 42, 44 and 46 as well as the MFMA, sections 53(1)(c), 54(1)(c), 71, 72 and 121 as the relevant source documentation could not be provided for audit purposes.

### **Source information not accurate and complete**

32. The source information or evidence provided to support the reported performance information with regard to the Developed Housing Sector Plan did not adequately support the accuracy and completeness of the facts.

## **APPRECIATION**

33. The assistance rendered by the staff of the Big Five False Bay Municipality during the audit is sincerely appreciated.

Pietermaritzburg

30 November 2009

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date	Accountable Executive & Staff Member Responsible	Status
Fixed Assets	<p>The fixed asset register was last updated in the 2005-06 financial year. I reconciled the fixed asset register and the asset additions in the general ledger from 2005-06 to 2008-09. An unexplained net difference of R241 543 was calculated, being the difference between the asset register and the general ledger at 30 June 2009.</p>	<p>1.A service provider will be appointed by the municipality to perform the following duties</p> <ul style="list-style-type: none"> <li>• Asset verification</li> <li>• Bar-coding of all assets</li> <li>• Updating the asset register that will be GRAP Compliant</li> </ul> <p>2. Staff will be trained on how to perform an asset verification exercise annually</p>	31/01/2009 Chief Finance Officer (CFO)	Open

When comparing the balances of the ledger entries of assets totalling R23 739 433 to the asset register, assets totalling R3 388 419 as set out below could not be verified or traced to the asset register. The municipality's records did not permit the application of adequate alternative audit procedures

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date	Accountable Executive & Staff Member Responsible	Status
<p>regarding these assets. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation, completeness and ownership of the fixed assets</p>				
<p><b>CREDITORS</b></p> <p>A difference of R316 193 was identified between the creditors ledger and the general ledger, whereby the general ledger balance of R1 163 670 exceeded the creditors age analysis balance of R847 427. This difference could not be explained by management or supported by documentation.</p> <p>Furthermore, creditors to the value of R299 247</p>	<p>1. An investigation of the difference between the general ledger and the creditors ledger will be conducted</p> <p>2. Monthly creditors reconciliations between the creditors ledger and the general ledger will be</p>	31/01/2009	<p>CFO/ Siyenza Manje Municipal Support Programme (SM-MSP)</p>	<p>bank account for conditional grants only</p>

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date	Accountable Executive & Staff Member Responsible	Status
could not be verified against documentation received. I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of creditors totalling R615 440	developed and implemented			
<b>GOING CONCERN</b>  16. While the municipality has prepared financial statements on a going concern basis, there are indicators that its financial sustainability is under threat. The municipality has incurred a loss of R6 127 928 in the current year and the accumulated deficit was R8 434 147. Furthermore, it was noted that concomitant assets (investments, cash and bank) were insufficient to support the existence of funds and reserves with a shortfall of R4 633 929.	<p>1. A cash flow management tool will be developed and implemented with the view to improve the cash flow situation within the municipality and the following will be taken into consideration</p> <ul style="list-style-type: none"> <li>• Strategies to maximize the debt collection</li> <li>• Distinguish between critical and other expenditure with the view to prioritise critical expenditure while minimizing other</li> </ul>	31/01/2009	CFO/SM-MSP	

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date	Accountable Executive & Staff Member Responsible	Status
	<p>or non-critical expenditure</p> <ul style="list-style-type: none"> <li>• A review of all contracts and other expenditure so as to minimize unnecessary spending will be conducted</li> </ul> <p>Close monitoring of the cash Flow situation by management will have to be of priority</p>		<p>2. A conditional grants register will have to be updated will all grant expenditure and it's the accuracy of the unspent portion be verified.</p> <p>The municipality will after confirmation of the unspent portion come up with the plan to cash back the unspent</p>	

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date	Accountable Executive & Member Responsible	Status
	portion and this will work in relation with the cash flow strategies that will ensure savings by the municipality.			
<b>Unauthorised expenditure</b> 1. Unauthorised expenditure of R7 361 306 was incurred as a result of the overspending of the total amount appropriated for votes in the budget for the year under review. It should also be noted however, that the total budget was not overspent. Our audit report will include an emphasis of matter paragraph highlighting to the users of the financial statements that the entity has incurred material unauthorised expenditure. This has been disclosed in the AFS.	Budget monitoring procedures will have to be developed and implemented and this will include <ul style="list-style-type: none"> <li>• Monthly reports per department that will report on the actual expenditure per month to budgeted expenditure</li> <li>• Each departmental head will be held</li> </ul>	31/01/2009	CFO/ SM-MSP	

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date Accountable Executive & Staff Member Responsible	Status
	<p>responsible for the over/under spending on expenditure</p> <p>This will form part of the monthly reporting pack to council</p>		
<b>QUARTELY REPORTING ON PERFORMANCE INFORMATION</b>	<p>Quarterly reporting procedures will be developed for the municipality in line with the MFMA. The compliance officer is being trained by the DBSA finance deployee on the MFMA framework that has been developed for the municipality by the DBSA finance deployee.</p> <p>No quarterly reports on the progress in achieving measurable objectives and targets of the municipality were provided for audit purposes in terms of section 34(b) of the MSA.</p>	<p>31/01/2009</p>	

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date	Accountable Executive & Staff Member Responsible	Status
<b>CONTENT OF INTEGRATED DEVELOPMENT PLAN</b>	<p>The IDP will have to be adjusted going forward to ensure that it includes the Key performance indicators and is in line with the treasury reporting framework.</p>		CFO/IDP Manager	
17. The integrated development plan (IDP) of the Big Five False Bay Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.	<p>Training will further be provided to the IDP manager through the Vulindlela Academy from the DBSA</p>	31 January 2009	CFO/ SM/MM	
<b>No mid-year budget and performance assessments</b>	<p>This has been included as part of the MFMA reporting framework developed by the SM team(DBSA)</p>	31 January 2009	CFO/ SM/MM	
18. Sufficient appropriate audit evidence was not provided for audit purposes to determine whether the accounting officer of the municipality assessed the performance of the	<p>As part of implementing the</p>			

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date	Accountable Executive & Staff Member Responsible	Status
municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.	plan, the Accounting officer will be assisted by the finance employee in preparing the mid year performance (Section 72 report) to ensure compliance with the MFMA deadline for the 2009/10 financial year.			

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Finding	Action plan	Implementation Date	Accountable Executive & Staff Member Responsible	Status
Inconsistently reported performance information	The Big Five False Bay Municipality performance objectives in the IDP are not consistent with those in the annual performance report	30 June 2009	CFO	
Reported performance information not reliable	19. Sufficient appropriate audit evidence relating to the reported performance information of the municipality could not be obtained with regard to compliance with the	30 June 2009	CFO	This should again be addressed

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

<b>Finding</b>	<b>Action plan</b>	<b>Implementation Date</b>	<b>Accountable Executive &amp; Staff Member Responsible</b>	<b>Status</b>
MSA, sections 21(a), 34, 39(a), 40, 41(1)(d), 42, 44 and 46 as well as the MFMA, sections 53(1)(c), 54(1)(c), 71, 72 and 121 as the relevant source documentation could not be provided for audit purposes.	by the MFMA implementation plan that has been developed by the municipality which includes monthly, quarterly and annual reporting on performance management in line with the MFMA.			

The Honourable Speaker  
Council of Big 5 False Bay Municipality  
P.O Box 89  
Hluhluwe  
3960

15 December 2009

Dear Sir

**Audit Committee's Report to Council**

The Audit Committee of Big 5 False Bay Municipality has pleasure in submitting its final report to the Council of the Big 5 False Bay Municipality. This report is submitted in terms of the provisions of sections 121(3)(j), 166(2)(b) and 166(2)(c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial year from 1 July 2008 to 30 June 2009.

**Members**

1. The following persons served as members of the Audit Committee for the year under review:

DS Dlamini – Chairperson  
MG Ntuli

**Overview of activities**

2. The Audit Committee had four formal meetings during the period covered by this report. These meetings were held on 28 July 2008, 3 November 2008, 23 April 2009 and 30 June 2009, respectively. The Audit Committee therefore complied with the provisions of section 166(4)(b) of the MFMA which requires the Audit Committee to meet at least four times per year.

3. The following matters were dealt with at these meetings:

- Risk Management within the municipality
- Fixed Asset Management
- Compliance with Legislation
- Annual Financial Statements
- Auditor General audit report
- At each of the four meetings, work done by the internal auditors was tabled, discussed;
- Attention was given to Council regarding Performance Management System;

## **Report**

4. For purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Committee Charter, the Audit Committee relies heavily on the work done by internal audit which has been outsourced to PricewaterhouseCoopers, a firm of professional services providers.
5. In order to be able to rely on the work performed by internal audit, the Audit Committee has raised concerns about quality and scope of the work performed by internal audit, which is not sufficient to place the necessary reliance thereon. Whilst it is the view of the Audit Committee that the work performed by internal audit is of a high standard, that it is properly planned and controlled, however the internal audit plan was not presented to audit committee for approval. There is limited evidence that internal audit findings are discussed with the responsible officials and that implementation of corrective measures that have been agreed upon, are followed up regularly. The internal audit unit experienced difficulties in getting required responses due to unavailability of municipal staff. However we had no reservation in relying on the work performed by internal audit for purposes of executing our mandate. We are therefore in a position to advise Council that as far as matters relating to internal financial control, the adequacy, reliability and accuracy of financial reporting, performance management and evaluation, effective governance and compliance with the MFMA and other relevant legislation are concerned, the internal audit reports and other work performed by Internal audit unit considered by the Committee have not revealed any material issues that may compromise any of these functions or responsibilities. This comment should however be read with our concerns and recommendations which are dealt with in paragraph 8.
6. Section 166(2)(b) of the MFMA requires the Audit Committee to “review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation”. For these purposes, the Audit Committee relies on the work performed by the Auditor-General during its audit of the financial statements of the municipality.
7. The members of the Audit Committee reviewed the financial statements for the year ended 30 June 2009 and can report as follows:
  - The municipality achieved an operating deficit and maintained a stable current cash and investment position and has been meeting its debt obligations; concerns were raised on going concern due to certain grants being not cash backed.
  - The Auditor-General’s management letter and management’s response thereto has been considered;
  - The Auditor-General’s report on the financial statements has been noted. In this regard it is with regret to note that the Auditor-General expressed a financially qualified audit opinion on the financial statements for the year ended 30 June 2009.

## **Concerns and recommendations**

8. During the course of our meetings and discussions, a number of important issues came to light which the Audit Committee believes should be brought to Council's attention. These matters are dealt with below:

8.1 As per the income statement the municipality has incurred a net deficit which is considered as unauthorised expenditure. The municipality has since obtain approval from council and disclosed the deficit accordingly in the financial statements.

8.1.1 Our view is that all expenditure must be authorized before it is incurred. In the future management need to budget more effectively and efficiently to ensure that there is no unauthorized expenditure.

8.1.2 The municipality statutory funds are not adequately cash backed and the municipality is reliant on funding from equitable share to pay for its expenses in the normal course of operations. The statutory funds and reserves and trust funds are not backed by sufficient concomitant assets.

8.1.3 The municipality should put controls in place that will ensure that the funds and reserves are cash backed. These controls should be reviewed by management at regular intervals to ensure their relevance.

8.2 As reported previously, the Audit Committee remains concerned about the following:

8.2.1 **Internal financial controls and internal audits:** The delays in commencement of the internal audit and the planning process, as well as the internal audit budget has been a limiting factor on the scope and extent of the internal audit work performed. Delays during the audit and the non-production of documentation in certain cases by municipality also limited the internal audit executing its function.

8.2.2 Management has been requested to work with the internal audit unit to increase the frequency and coverage of audit. Regular internal audits will assist in addressing audit findings much earlier thus ensuring an improved control environment and favourable external audit outcomes.

8.2.3 **Risk management:** The internal Audit unit conducted a risk assessment workshop on 06 May 2009 and submitted a risk register and a 3 year rolling plan to Management on 18 May 2009. This report has not been submitted to the Audit Committee for review and approval. The internal Audit unit did not review Management's risk management processes.

However the internal audit unit will provide the Municipality with a sample Risk Management Policy for consideration. The timing of risk assessment is concerning (two months before year end); this does not leave the municipality enough time to put in place mitigation plan to manage risks. The nonexistence of risk management might lead to financial losses to the municipality. The audit committee has requested the municipal manager to work with the internal audit unit prioritise risk assessment and put in place a risk control mechanism including a Risk Management Policy that is customised for the municipality.

- 8.2.4 **Accounting policies:** The accounting policies were reviewed as part of annual financial statements review. The municipality is in the process of converting from IMFO to GRAP and changes to the accounting policies need to be approved by the Council.
- 8.2.5 **The adequacy, reliability and accuracy of financial reporting and information:** The review of financial information by the internal auditors was limited to the focus areas included in the internal audit plans and audit findings will be included in internal audit report to be submitted to the municipality.
- 8.2.6 **Performance management:** The internal Audit unit has reviewed of the Municipality's Performance Management System; the findings are yet to be presented at the next audit committee. The audit committee requested management to arrange an audit committee meeting to review and discuss performance management framework.
- 8.2.7 **Effective governance:** The internal Audit unit did not review the effectiveness of the governance arrangements and structures.
- 8.2.8 **Compliance with MFMA, the annual division of Revenue Act and any other applicable legislation:** Internal Audit unit compliance reviews were limited to the focus areas included in the draft internal audit plan and it is expected that the findings will be included in the internal audit report to be submitted to management.
- 8.2.9 **Performance evaluation:** According to the draft internal audit plan for the review of the Municipality's Performance Management System, the internal audit unit reviewed the Organisational and/or Section 57 scorecards on a test basis and the findings will be included in the internal audit report to be submitted to management.
- 8.2.10 **Audit Committee:** Section 166 (4) of the MFMA states that an audit committee must consist of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality or municipal entity. The district is in contravention of the above section since the audit committee operated with only two members and this matter has been raised at several meetings of the audit committee. The matter needs to be discussed with district municipality to ensure that a third member is appointed as a matter of urgency.
- 8.3 Also reported previously, is the Audit Committee's concern at the slow rate at which outstanding audit queries are resolved. Unresolved audit findings are listed and carried forward from one meeting to the next until those findings have been satisfactorily addressed by management. We are pleased to report that during the latter part of the financial year under review, a concerted effort was made to clear as many of the outstanding queries as possible.
- 8.4 The preparation of Council's annual financial statements is governed by various International Financial Reporting Standards, Generally Recognised Accounting Standards and Generally Accepted Municipal Accounting Standards. In addition, there are a number of financial reporting requirements issued by National Treasury which have to be complied

with. Although Council took advantage of certain exemptions relating to compliance with some of these Standards for purposes of preparing the financial statements for the year ended 30 June 2009, full compliance with these Standards will be required for the year ended 30 June 2010. As a result, Council's Finance Department face a substantial compliance burden relating to the implementation of these financial reporting standards e.g. conversion from IMFO to GRAP which will place severe strain on existing financial capacity. It is therefore crucial that Council acknowledges the importance of maintaining and improving its financial capacity to meet this future challenge.

### **Conclusion**

9. The implementation and maintenance of proper systems of internal control, the prevention of fraud and error, the safeguarding of the assets of the municipality and compliance with relevant laws and regulations, are Council's responsibility. The role of the audit committee is to monitor the efficiency of the procedures and mechanisms which Council has put in place in order to ensure that its policies and procedures are adhered to. We can report that, taking into account the exceptions noted above and based on the reports submitted to us, that our overall impression is that the systems and procedures implemented by council are operating efficiently.

Yours faithfully

DS Dlamini  
Chairman – Audit Committee

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## CHAPTER 6: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

### 6.1. Report by Director Corporate Services

#### Key Projects by the Department

Key Projects by the Department				
Project Name	Funding Source	Amount	Beneficiaries	Status
Main street upgrade in Hluhluwe town	Corridor Development Grant	R 3,500,000	All residents within the Municipality	Complete
Phumlani Community Hall	Municipal Infrastructure Grant (MIG)	R 1,850,000		65% Complete by 30 June 2009
Makhasa Crèche	Municipal Infrastructure Grant (MIG)	R 1,150,000		80% Complete by 30 June 2009

### 6.2. Report by Director Planning and Development Services

#### Key Projects by the Department

Key Projects by the Department				
Project Name	Dpt	of	Amount	Beneficiaries
Housing				
Makhasana Rural Housing Project	Dpt	of	R 55,000,000	1000 households

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

(Year 2 of a 5 year project)	Housing			built
Mnqobokazi Rural Housing Project (Year 1 of a 5 year project)	Dpt of Housing	R 55,000,000	1000 households	800 houses were built
Nibela Rural Housing Project (Year 1 of a 5 year project)	Dpt of Housing	R 55,000,000	1000 households	180 houses were built
Phumlani Slums Clearance Project (Year 1 of a 5 year project)	Dpt of Housing	R 28,000,000	500 households	Project initiation phase
<b><i>Local Economic Development</i></b>				
Feasibility study for Mnqobokazi Essential oils.				

### Proposals for funding

NAME OF PROJECT	ORGANISATION OR AMOUNT FUNDING SOURCE	AMOUNT SECURED	RESPONSIBILITY OR APPROVAL	AMOUNT APPROVED
LED Plan (inclusive of Tourism and Agricultural Plan)	DLGTA	R 300,000		R 300,000
Mnqobokazi Agri-tunnels	DLGTA	R 180,000		R 180,000
Development Planning Capacity	DLGTA	R 100,000		R 100,000
Finalisation of LUMS	DLGTA	R 100,000		R 100,000
Hluhluwe Light Industrial Centre	Corridor development	R 70,000		R 70,000

## **ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09**

Infrastructure Development Plan	DLGTA	R 100,000		R 100,000
Integrated Waste Management Plan	DAEA & DWAF		R 150,000	R 150,000
Integrated Environmental Management Plan	DAEA & DBSA		R 200,000	R 200,000
Urban Renewal Plan	DLGTA		R 250,000	R 250,000
		<b>R 850,000</b>	<b>R 600,000</b>	<b>R 1,450,000</b>

# ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

## 6.3 Organizational Annual Performance Report

Below is a detailed annual performance assessment for the entire organization. The total scores for the entire Municipality are as follows;

In line with section 121 (3)(f) below is a detailed analysis of the Municipality's performance against set targets

IDP Ref No	Key Performance Objective	Key Performance Indicator	Target	Actual Performance 2007/08	Actual Performance 2008 /09
			Time frame	Quantity	Quality

## INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY

ID 1	To ensure the provision, upgrading and maintenance of infrastructure Services to dress backlog	<ul style="list-style-type: none"><li>Inclusion in a Business Plan for development of Municipal Infrastructure Development Plan</li><li>Bus Plans for MIG developed</li><li>Business Plan for Corridor Development</li></ul>	Dec 08 Dec 08 Dec 08	1 5 1	No target No target No a target	Business Plan developed and sourced Business Plans developed and approved by MIG Business Plan developed and fur
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## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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Key Performance Objective	Key Performance Indicator	Target		Actual Performance		Actual Performance 2008/09
		Time frame	Quality	Quantity	2007/08	
	developed					sourced
• Business Plan for development of Municipal Asset Maintenance Plan	Dec 08		1	No a target		Business Plan developed and further sourced
• Percentage spending on maintenance budget	Jun 09		100%	Target met		Target met
• Business Plan for development of Integrated Waste Management Plan	Jun 09		1	No Target		Business Plan completed and further sourced
• Business Plans for Ward 3, 2 and 3 roads projects	Dec 08			No target		Business Plan completed
• Business Plan & completion of Phumlani Hall	Jun 09	Level of completion	50%	No target		Level of completion above 50%
• Business Plan & completion of Makhasa Creche	Jun 09	Level of completion	50%	No target		Level of completion above 50%
• Business Plan Completion of	Jun 09		50%	No target		Business Plan completed

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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IDP Ref No	Key Performance Objective	Key Performance Indicator	Target		Actual Performance 2007/08	Actual Performance 2008/09
			Time frame	Quality		
	Ezimpondweni Market Stalls					
	• Business Plan Completion of Mnqobokazi Market Stalls	Jun 09		50%	No target	Business Plan completed
ID 2	To ensure co-ordinated service delivery from all service providers	<ul style="list-style-type: none"> <li>• Roles and responsibilities of all service providers reflected on the MIDP</li> <li>• Sector Plans reviewed</li> </ul>	Mar 09 Mar 09		Included in the IDP Included in the IDP	Included in the IDP
				5	Target met	Target met
<b>SOCIO ECONOMIC DEVELOPMENT</b>						
SD 1	To ensure provision of sustainable, affordable and suitable located housing development	<ul style="list-style-type: none"> <li>• Municipal Housing Sector Plan Developed</li> </ul>	Mar 09		Target not met	Target met

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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KPI Ref No	Key Performance Objective	Key Performance Indicator	Target		Actual Performance		Actual Performance 2008/09
			Time Frame	Quality	Quantity	Time Frame	
SD 4	To cater for the economic and social development needs of youth, women, the disabled and the aged members of community	<ul style="list-style-type: none"> <li>% of companies owned by disabled persons and women benefiting from bid processes</li> <li>Submission of the Employment Equity Plan to the Department of Labour</li> </ul>	Jun 09	At least 10% of women or disabled ownership	20%	Target not met	Target met
SD 5	To facilitate economic growth and development within the municipal area	<ul style="list-style-type: none"> <li>Local Development Plan developed</li> <li>Municipal Agricultural Development Plan reviewed for Mar 09</li> </ul>	Mar 09		1	No target	Included in LED Plan

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IDP Ref No	Key Performance Objective	Key Performance Indicator	Target		Actual Performance 2008/09	
			Time frame	Quality	Quantity	Performance 2007/08
		<ul style="list-style-type: none"> <li>• Level of completion of LED Projects</li> <li>• Level of completion of Agri-tunnels (renamed as Mnqobokazi Essential Oils)</li> <li>• Finalize LUMS with public participation</li> <li>• Bus Plan and funding Jun 09 for the Urban Renewal Plan for Hluhluwe town</li> </ul>	<p>May 09</p> <p>May 09</p> <p>Jun 09</p> <p>Jun 09</p>	<p>100%</p> <p>1</p> <p>1</p> <p>1</p>	<p>Target met</p> <p>No target</p> <p>Target not met</p> <p>No target</p>	<p>Target met</p> <p>Business Plan and feasibility study complete and funding for Phase sourced</p> <p>Target not met</p> <p>Target met</p>
SD 6	To market the Municipality to attract investment	<ul style="list-style-type: none"> <li>• Inclusion of the Municipal Marketing and Communication Strategy in the IDP</li> </ul>	Jun 09	Draft Strategy	1	No target
SD 7	To facilitate economic growth and development within the	<ul style="list-style-type: none"> <li>• Business Plan and funding of Municipal Tourism Plan</li> </ul>	Mar 09		1	Target not met but funds sourced

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

KPI Ref No	Key Performance Objective	Key Performance Indicator	Target		Actual Performance 2008/09	
			Time Name	Quality	Quantity	Comments
SD 8	municipal area	<ul style="list-style-type: none"> <li>Quarterly reports to council on Tourism initiatives supported</li> </ul>	Within 30 days		4	Target met  Included in quarterly reports
SD 8	To promote SMME development in the municipality	<ul style="list-style-type: none"> <li>% of companies owned by local persons benefiting from the municipality's bid processes</li> <li>Informal trading policy</li> <li>Business plan and funding for Business Skills development Plan</li> </ul>	Jun 09  Jun 09  Jun 09	At least 10% ownership by local people  1	20%  1  1	Target not met  Target met  Target not met  Included in the Bylaws
SD 9	To create a safe and secure environment for all residents and visitors in the	<ul style="list-style-type: none"> <li>Inclusion in the IDP of the Business Plan for Crime Prevention</li> </ul>	Jun 09		1	Target not met  Target met

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

IDP Ref No.	Key Performance Objective	Key Performance Indicator	Target		Actual Performance	
			Time frame	Quality	Quantity	2007/08
SD 10	Municipality					
		<ul style="list-style-type: none"> <li>• Inclusion in IDP of Municipal Community Facilities Plan</li> <li>• Inclusion in IDP Business Plan and Funding for Municipal Telecommunications Plan</li> <li>• Inclusion in IDP Health Facilities Bus Plan</li> </ul> <p>To ensure provision of sustainable community facilities</p>	Jun 09 Jun 09 Jun 09	1 1 1	Target met Target not met Target met	Target met Target not met Target met

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

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IDP Ref No	Key Performance Objective	Key Performance Indicator	Target		Actual Performance 2008/09	
			Time frame	Quality	Quantity	Actual Performance 2007/08
EM 1	Ensure sustainability and protection of the Municipality's Natural Environment	<ul style="list-style-type: none"> <li>Business Plan and funding of Strategic Environmental Assessment</li> <li>Business Plan and funding of Strategic Environmental Management Plan</li> </ul>	Dec 08		1	Target not met

### ENVIRONMENTAL MANAGEMENT

EM 1	Ensure sustainability and protection of the Municipality's Natural Environment	<ul style="list-style-type: none"> <li>Business Plan and funding of Strategic Environmental Assessment</li> <li>Business Plan and funding of Strategic Environmental Management Plan</li> </ul>	Dec 08		1	Target not met	Bus Plan developed
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### MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

FM 1	Improve debt management processes	<ul style="list-style-type: none"> <li>Debt collection rate</li> </ul>	Jun 09		70% of billed revenue	Target not met	72%
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## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

KPI Ref No.	Key Performance Objective	Key Performance Indicator	Target		Actual Performance 2007/08	Actual Performance 2008/09
			Time Frame	Quality		
FM 2	Ensure that financial resources are efficiently and effectively allocated	<ul style="list-style-type: none"> <li>Indigent support policy</li> <li>Alignment of operational with capital budget</li> <li>Review of financial plan</li> <li>Number of budget meetings with HOD's</li> <li>Service Delivery and Budget Implementation Plan</li> <li>Number of Quarterly reports to council on SCM implementation</li> </ul>	Jun 09 Jun 09 Jun 09 Jun 09 Jul 08 Jun 09	Policy submitted 1 1 2 1 4	Target met Target met Target not met Target met Target met Target not met	Target met Target met Target met Target met Target met Target met
FM 3	To enhance the Municipality's revenue base	<ul style="list-style-type: none"> <li>% completion of updated Municipal Valuation Roll</li> </ul>	Jun 09	80%	Target not met	Target met

ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

Key Performance Objective	Key Performance Indicator	Target		Actual Performance 2008/09	
		Time frame	Quantity	Quality	Quantity
	<ul style="list-style-type: none"> <li>Property rates policy</li> </ul>	Jun 09	Adopted by council	Target not met	Target met
	<ul style="list-style-type: none"> <li>% over-expenditure</li> </ul>	Monthly	Monthly	0%	Target met
FM 4	<ul style="list-style-type: none"> <li>% under-expenditure</li> </ul>	Monthly	Monthly	10%	Target not met
	Ensure sound financial management practices (TO the MMRM) and enhance the institutional capacity for municipal spend	Submission of the 2007/08 AFS	31 Aug 08	Target met	Target met
	<ul style="list-style-type: none"> <li>No of monthly reports to council, PT and NI</li> </ul>	Monthly	Monthly	12	Target not met
	<ul style="list-style-type: none"> <li>Auditor's report on the 2007/08 AFS</li> </ul>	Nov 08	Unqualified opinion	Target not met	Target not met

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## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

KPI Ref No	Key Performance Objective	Key Performance Indicator	Target		Actual Performance		Actual Performance 2008/09
			Time frame	Quality	Quantity	Notation	
DG4	To promote effective communication between the Council and the public.	Number of meetings held between Council and the public.	June 09	High	16	Notation	15 Meetings held.
DG5	To promote effective communication between the Council and the public.	Number of meetings held between Council and the public.	June 09	High	16	Notation	16 Meetings held.

## ANNUAL REPORT BIG FIVE FALSEBAY MUNICIPALITY '2008/09

KPI Ref No.	Key Performance Objective	Key Performance Indicator	Target Performance		Actual Performance		
			Time frame	Quality	Quantity	2007/08	2008/09

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